

City of Detroit


CITY COUNCIL

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ANNE MARIE LANGAN
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TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Director 

DATE: March 24, 2010

RE: Request for Authorization of a Personal Property Tax Exemption through P.A. 328 issued to Compuware Corporation in 1999 to be Continued to Quicken Loans, Inc.

The City Council's Planning and Economic Development Standing Committee has a request before them from Compuware, Quicken Loans as well as the Planning and Development Department for authorization of a resolution to partially transfer a personal property exemption of all new personal property located within the Compuware building for Quicken Loans who plans to move in 1,600 employees and occupy four floors or 245,000 square feet.

Based on the documents delivered to us Council originally approved this exemption for Compuware under Public Act 328 of 1998 in April 1999 through December 30, 2014.

Compuware has asked for and received approval from the state to continue the personal property exemption certificate 05-1999, with Compuware receiving the benefit from floors 1 through 8 and Quicken Loans receiving the abatement for floors 9 through 12.

Project Description

We have received documentation that Quicken Loans plans to quickly move in 1,600 employees from locations outside of the city to the Compuware Building. The payroll is estimated to be \$110 million for this group of employees. Quicken anticipates spending \$20 million in real and personal property to facilitate this move. Of this, \$10 million will be on construction build out with an estimated construction payroll of \$6.7 million. Quicken will also spend \$4.4 million on new furniture and \$5.6 million in new technical equipment.

Attached please find a chart that shows, based on the information given to us by both Compuware and Planning and Development, the costs of the abatements to the taxing jurisdictions as well as the benefits to the city revenues and the ancillary business spin-off in the downtown community. We estimate that the net benefits to the area and the governments would be around \$14 million conservatively.

In addition, there are on-going discussions about subsequent phases of employees moving downtown. We are also told that negotiations regarding a new headquarters for Quicken in downtown Detroit are still in process.

A second attachment is a two-page chart entitled Benefits to the City of Detroit When Quicken Loans Relocates to Detroit. This outlines the positive revenue generation that will come to the city and the downtown businesses based on this move as well as a powerful list of the nonprofits and community functions that Quicken Loans and its employees have supported through the years.

We understand from Planning and Development that a revised resolution will be presented to Council as soon as possible.

We have been told that contrary to previous documents given out, there will not be a request for an extension of the abatement, simply a request to authorize the split of the certificate to the two corporations.

Meanwhile, we appreciate the responses from Compuware/Quicken Loans to our various questions on this abatement request. Those response have been shared with Council and staff electronically.

Attachments

cc: Council Divisions
Auditor General
Warren Palmer, P&DD Director
Al Fields, Group Executive
Clinton Griffin, P&DD
Norman White, CFO
Pamela Scales, Budget Director
Denise Starr, Chief Administrative Officer, Compuware
Kamau Marable, Mayor's Office

Attachment I

Quicken Loans Analysis

Cost to taxing units over 5 years:							
Personal Property	\$ 10,000,000	(Assume 7-year Depreciation)					
Construction	\$ 10,000,000	(Assume 20-year Depreciation)					
		2010	2011	2012	2013	2014	
		Year 1	Year 2	Year 3	Year 4	Year 5	Total
		\$ 20,000,000	\$ 18,071,429	\$ 16,642,857	\$ 15,214,286	\$ 13,785,714	
Taxing Units	Mills						
General Fund Detroit	19.9520	\$ 199,520	\$ 180,281	\$ 166,029	\$ 151,778	\$ 137,526	\$ 835,134
Debt Service Detroit	7.4773	74,773	67,563	62,222	56,881	51,540	\$ 312,978
Detroit Public Library	4.6307	46,307	41,842	38,534	35,226	31,919	\$ 193,828
Detroit Public School	31.0000	310,000	280,107	257,964	235,821	213,679	\$ 1,297,571
State Education Tax	6.0000	60,000	54,214	49,929	45,643	41,357	\$ 251,143
Wayne County	14.08	140,778	127,203	117,147	107,092	97,036	\$ 589,256
DDA Parking Subsidy ⁽¹⁾		<u>1,250,000</u>	<u>1,250,000</u>	<u>1,250,000</u>	<u>1,250,000</u>	<u>1,250,000</u>	\$ 6,250,000
Total	83.1378	\$ 2,081,378	\$ 2,001,209	\$ 1,941,825	\$ 1,882,441	\$ 1,823,057	\$ 9,729,911
Benefits/Economic Activity							
Quicken Loan Payroll Income Tax Revenue ⁽²⁾		\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 2,200,000	\$ 11,000,000
Quicken Loans Corporate Tax		600,000	600,000	600,000	600,000	600,000	\$ 3,000,000
Utility User Tax		60,000	60,000	60,000	60,000	60,000	\$ 300,000
Construction Payroll Income Tax Revenue		134,000	134,000	-	-	-	\$ 268,000
Employee Expenditures at Workplace		<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	\$ 10,000,000
		\$ 4,994,000	\$ 4,994,000	\$ 4,860,000	\$ 4,860,000	\$ 4,860,000	\$ 24,568,000
Net benefits over costs from 328 abatement transfer request							\$ 14,838,089
(1) DDA Parking Subsidy is reduced from the negotiate \$2 million since the # of employeeed is reduced from the original 4,000.							
(2) Income Tax revenue based on payroll of \$110 million and 1600 employees.							

**BENEFITS TO THE CITY OF DETROIT WHEN QUICKEN LOANS
RELOCATES TO DETROIT**

- Tax Revenue from annual payroll for 1600 Quicken employees, estimated to be \$104 million annual payroll.
- Tax Revenue from Quicken for their Corporate Income Tax. Estimated to be \$600,000 annually.
- Tax Revenue from City of Detroit surcharge on utilities. Estimated to be \$60,000 annually.
- Tax Revenue from payroll for construction workers that will construct Quicken space within Compuware facility. Estimated cost of construction is \$10 million and estimated cost of construction labor is \$6.7 million. There will also be sales tax revenue generated from the goods purchased to construct the space.
- Tax Revenue (both sales and payroll) generated from businesses (e.g. restaurants, hotels, sports venues, arts/cultural, etc.), from Quicken employees. Estimated that employees spend an estimated \$2 million+ at various businesses for lunch, pharmacy, sports venues, etc.
- Revenue to city on parking spend of \$400,000 annually.
- Tax Revenue (both sales/payroll) generated from business spend at Detroit hotels, business supply companies, etc.

In addition to the above impact for the City of Detroit, there have been and will continue to be broader Detroit Community benefits by having Quicken as a Detroit business resident. Below is a partial list of organizations that Quicken has provided financial support, even prior to their decision to relocate their headquarters to Detroit.

- Bizdom U- located in New Center/Wayne State area. (Investment of approximately \$2 million, plus creation of new small businesses in the city).
- Rock Financial Junior Achievement Finance Park (student program to learn about finance and financial responsibility—located off Larned). \$750,000 investment
- Michigan Chronicle Pancakes and Politics
- Detroit Winterblast
- Detroit Economic Club National Summit
- River Days/Detroit Riverfront Conservancy
- Riverfront Summer Concert Series (aka Rocking on the River)
- Little Caesars Pizza Bowl
- NCAA Final Four
- Fireworks (Parade Company)
- Motown Museum
- City Year
- Think Detroit/PAL
- Warren Connor Block Development
- Crime Stoppers
- NAACP Detroit
- Ilitch Charities for Children

- New Detroit
- Children's Hospital
- Thanksgiving Day Parade
- Downtown Detroit Partnership
- College For Creative Studies
- United Way
- Capuchin Soup Kitchen
- Cornerstone Schools
- Red Cross
- Junior Achievement
- Karmanos Cancer Institute
- Bing/Council Inaugural

These types of investments in the community provide jobs, support services, education and commitment to the community.